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C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 000777

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SUBJECT: LEBANON: ECONOMY MINISTER REVIEWS WTO MEETINGS

Classified By: Ambassador Jeffrey D. Feltman for reasons 1.4 (b) and (d).

SUMMARY

1. (C) Minister of Economy and Trade (MOET) Sami Haddad expressed frustration that, in his view, U.S. trade negotiators asked more of Lebanon than they have asked of other recent WTO members. He argued that any message of strong American political support to the besieged GOL is not trickling down to working level negotiators. Haddad said he has met most USG requests, including the drafting of required laws, but is pushing back against requests to additional lowering of goods tariffs. Lebanese officials request that we show political support to Lebanon by wrapping up bilateral negotiations while we still have a pro-trade cabinet to work with; we can continue to discuss any outstanding issues in alternate fora, Haddad suggested. Finally, Haddad explained some of the urgency of his request by highlighting that some resigned cabinet ministers appeared interested in returning as 'caretaker' ministers in a new cabinet. End Summary.

FRUSTRATED WITH STRICT DEMANDS,  
LACK OF POLITICAL SUPPORT AT WTO

2. (C) Explaining his emotional late night call to the Ambassador on the first night of the early-May world Trade Organization (WTO) working party meeting in Geneva to the Ambassador and Poloff, Minister of Economy and Trade (MOET) Sami Haddad expressed frustration that, in his view, the U.S. is asking more of Lebanon than it has asked of other recent WTO members, such as Vietnam. Our negotiations are already advanced, Haddad's WTO advisor Lama Ouejean told us, and Lebanon has done the technical work to prepare. The government faces no political resistance to passing all the draft laws to make it WTO compliant, if only the Speaker would open Parliament. The GOL did its internal homework for this round, engaging in various bilateral dialogues with the U.S., EU, Japan, and others.

3. (C) Any message of strong American political support to Lebanon is not trickling down to the working level, Haddad argued, particularly on agricultural issues. The GOL made what Haddad claimed to be a very generous informal offer in the summer of 2005 -- prepared by MOET official Fadi Maki, who was later fired -- but U.S. negotiators used this as a floor and have asked for significant additional concessions. In contrast to the allegedly tough time the U.S. is giving Lebanon, Ouejean noted, Vietnam and other recent WTO members

have less liberalized economies than Lebanon. Finally, U.S. agricultural demands are unreasonable, as Lebanon provides less of a subsidy to its farmers than the U.S. does, Haddad declared.

MUCH OF THE WORK IS DONE  
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14. (C) Much of the work the U.S. wanted from Lebanon is done, in the form of draft laws ready to be voted on when Parliament re-opens. Lebanon expects to conclude bilateral negotiations with Taiwan, Australia, and Japan by the end of June. Lebanon has met all requirements from the Secretary General of the WTO. More than 20 countries have acceded to the WTO in the last 12 years, and most have less liberal economies than Lebanon has, Haddad argued, so there is little reason for the United States to require further concessions from Lebanon. However, unless the U.S. and EU now wrap up bilateral discussions, Lebanon will be plagued with new bilateral agreement requests from relatively insignificant trading partners such as Brazil and Cuba.

15. (C) While Lebanon's other bilateral partners have focused on services, U.S. negotiators have focused on asking Lebanon to lower already low agricultural and industrial goods tariffs. Haddad's senior advisor on WTO issues, Lama Ouejean, told us that Lebanon has already matched at least 60 percent of the U.S. demands on agriculture and at least 70 percent of the demands on other goods. Lebanon cannot further eliminate tariffs without affecting politically sensitive interest groups and undermining already fragile government finances. The level Lebanon is binding at is already too low for a developing country. In addition, Lebanon feels caught, like many other countries, between

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conflicting U.S. and EU demands on audiovisual material distribution, which require that the U.S. and EU to work out a solution between themselves. On services, U.S. requests are in line with those of other bilateral partners, but on goods the U.S. has been especially demanding.

TIME TO WRAP UP BILATERAL NEGOTIATIONS  
LEST WE LOSE THE CABINET  
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16. (C) Haddad, feeling some pressure to conclude negotiations before a possible change of government, asked that we consider wrapping up bilateral negotiations now by either formally signing a bilateral accession agreement based on the draft laws, or by signing an MOU that lays out the pledges Lebanon must deliver on to reach a bilateral accession agreement. The U.S. can avoid giving Parliament Speaker Nabih Berri and Syria a veto on Lebanon's WTO membership by not waiting for the draft laws to be passed, and instead accepting cabinet approval of all required draft laws as a basis to conclude negotiations. If we signed an agreement based on draft laws and the cabinet resigned, all laws referred to parliament would remain in parliament, Haddad assured us. Alternatively, the United States could sign an MOU saying it agreed to close negotiations now with the expectation that Lebanon would adopt specific actions.

17. (C) Haddad went on to argue that supporting Lebanon's WTO accession now would have a large political payoff, strengthening the international community's perception of Lebanon in the same way that signing an agreement with the IMF has. Lebanon's first-ever IMF agreement and continued pro-reform efforts are evidence that Lebanon wants to join the rest of the world as a "good citizen." In addition, Lebanese officials would like to reinforce perceptions that Lebanon conforms to international rules. Previously at the forefront of the Arab world, Lebanese officials are now ashamed to be seen as lagging. Lebanon was a founding member of WTO predecessor, the GATT, but withdrew in 1951 and only started its effort to rejoin in 2002.

¶8. (C) Discussion on issues of ongoing concern could continue in alternate fora, Haddad explained. For example, IPR issues remain an area of bilateral attention, but are at this point an enforcement rather than a legislative issue. They can be better addressed through the Special 301 process than through the WTO forum, which requires only that laws are on the books, rather than implemented. Lebanese officials should shift their limited resources to focusing on passage of laws and law enforcement, Haddad argued.

BRING THE MINISTERS BACK

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¶9. (C) Some of Haddad's eagerness to conclude bilateral WTO accession negotiations apparently stems from his realization that the cabinet will constitutionally dissolve with the next presidential election this fall and could be dissolved before that as part of a political package. Haddad implied that the opposition, and in particular the six resigned ministers, were looking for a way out of the political impasse, and were considering coming back as caretaker ministers. Haddad noted that some of the ministers, such as Health Minister Khalifeh, never stopped working from home, while others, such as the resigned Minister of Foreign Affairs, recently resumed signing papers. Haddad believes that reform measures and WTO accession concessions will become harder, not easier, to achieve if those ministers resume work.

¶10. (C) Comment: We are sure that none of Haddad's arguments are new to the Washington trade policy officials who have worked with Lebanon -- or any number of other countries, for that matter -- on WTO accession. The urgency in Haddad's tone stems from his fear that, if the Siniora government is changed either by force or with agreement of March 14 leaders, the cabinet environment will be less friendly to reform in general and WTO in particular. Thus, he is eager to wrap up WTO accession as soon as possible.

FELTMAN